Tabled Document No. 12-84 (2)
Tabled MAY 15, 1984

Northwest Territories

Business Loans and Guarantees Fund

Annual Report 1982-83

Northwest Territories Economic Development and Tourism

103-04095/

January 31, 1984

MINISTER,
ECONOMIC DEVELOPMENT & TOURISM.

In accordance with the provision of the Northwest Territorial Business Loans and Guarantees Ordinance, I am pleased to enclose the report of the Fund for the year ended March 31, 1983, to be tabled at the Legislative Assembly of the Northwest Territories.

B. James Britton,
Chairman,
N.W.T. Business Loans and
Guarantees Board.

Enclosure.

Northwest Territories
Business Loans and Guarantees Fund
Annual Report 1982-1983

The Northwest Territories Small Business Loan Fund was created in 1970 by the Department of Indian and Northern Affairs to provide business financing to people who were unable to obtain funds on reasonable terms and conditions from conventional sources to create, purchase or expand a business in the Northwest Territories. The fund was capitalized at 5 million dollars with annual drawdown of 6 hundred thousand dollars until the 5 million total was reached at which point the fund should be self-sustaining.

Administration of the fund was provided by the Department of Economic Development and Tourism to a "Board" appointed by the Commissioner. The Board was composed of 6 members of which two were from the Department and four from the commercial sector of the Northwest Territories who met when sufficient applications were received to warrant a meeting.

In 1977-78 the fund was transferred to the Government of the Northwest Territories by the Department of Indian and Northern Affairs whereupon enabling legislation was created under which it could act. Two major changes were incorporated at that time to broaden the applicability of the fund. They were: the increase of the loan ceiling from 50 to 100 thousand dollars to provide for inflationary pressures and the greater needs of businesses; and the provision of guaranteed bank loans to the same limit as direct loans.

In 1981-82 the enabling legislation was amended to provide for the greater needs of the business community especially those associated with petroleum exploration and development, the loss in value of the Canadian dollar because of inflation and certain working capital needs of northern businesses. The amendment to the Ordinance provided for:

a) removal of the word "small" to provide funding for any northern business;

b) an increase to the Loan Fund to a maximum of 11 million dollars with annual drawdowns of 1 million dollars,

c) an increase to individual loan ceilings to 500 thousand dollars from the previous 100 thousand dollars limit, and

d) working capital financing for clients.

e) provision for the Members of the Eskimo Loan Fund Advisory Board to act on the Northwest Territories Loans and Guarantees Board.

These amendments to the legislation were made near the end of the fiscal year and as a result their effect was not manifested until 1982-83.

The Business Loan Board, appointed by the Commissioner, is composed of a chairman and one member from the Department of Economic Development and Tourism and four members from the business community. The Deputy Minister of the Department is one of the members and is the Board Chairman. The other Departmental member is the Chief of Commerce Division, who assumes the chair in the absence of the chairman. The composition of the Board in 1982-83 was:

L. Gilberg	G.N.W.T.	Chairman
C.A. Bennett	G.N.W.T.	Member
J. Sharp	Businessman	Member
R. Hardy	Businessman	Member
A. Semmler	Businessman	Member
D. Webb	Businessman	Member

During the year the Board held 11 meetings and three phone poll sessions to consider 92 applications, approve 69 and reject 23.

THE YEAR

1982-1983 marked the busiest year in the 12 year history of the Fund. The volume of applications increased by 80 percent from 51 in 1981-1982 to 92 in 1982-1983. This was caused by caution on the part of other lending institutions whose direction comes from southern Canada, and the Norman Wells refinery and pipe line development. The commercial financial houses, subject to the same lending policies as existed in the recession from the south referred a large number of clients to this fund, the calibre of which, has not been evident in the past. The increase in the number of applications, many of which would have been bankable in previous years, resulted in 69 loans being approved or 75 percent of the applications received. In spite of the increase in approved loans, the ratio of approved loans to applications is still proportionate to the last several years.

The Norman Wells expansion and pipeline development along the MacKenzie River amounted to 13 loans totalling 1.5 million dollars and ranged from working capital for individual short term contracts to physical plant for permanent businesses. The bulk of the remaining loans were for MacKenzie Valley businesses in the Inuvik and Fort Smith Regions. Yellowknife continued its high demand for funding mainly for expansions and working capital needs of existing businesses.

The result of these demands were loan issues of $3,508,000 or an almost 400 percent increase over the previous year. These changes are evident from the statistical data and graphs that form part of this report and indicate the trend of the fund since its inception in 1971.

Concurrent with the increased demand for business financing are the returns to the fund, or its general performance over the year. The value of principal repaid has shown a steady increase which is normal as it is only in the later stages of a loan that significant principal amounts are paid.

The fifty percent increase in 1982-1983 was the result of short term loans for petroleum related projects and the early retirement of some others.

Interest revenues have shown a steady increase which is indicative of the gradual increase in the size of the portfolio as well as an increase in the interest rates charged clients. The interest received of $485,000 represents a 10.8 percent return of the average value of the loans in force. Also of note is the interest receivable which is largely the value of interest due on loans in arrears. At year end this amount was $250,320 or 4.67 percent of the value of loans in force and is down from a year ago when it was at 5.2 percent. This ratio reduction indicates an increase in the number of loans being kept current.

At year end the principal value of doubtful accounts that are deemed uncollectable is approximately $500,000. This amount will bring the total bad debts since the fund began to approximately 6 percent of loans issued.

One other comparison is worthy of note. The comparison of loans issued to the amount of principal repaid. In 1982-1983 the loans issued were $3,508,642 while the principal repaid was $1,602,694. For the two previous years the amount of principal repaid has exceeded the amount of loans issued indicating that the Fund was revolving as it was originally intended to do. However, the development of the petroleum industry in the Northwest Territories and the economic pressures of the recession in southern Canada have resulted in the large increase in loans this year that necessitate continued capital inputs to the Fund to sustain the expansion it is experiencing.

1982-1983 has been a very active year and economically beneficial to the Northwest Territories.

Applications Received
Loans Approved
751
751
791
551
561
691
531
481
661
431
571
465
461
1982-83
1981-82
1980-81
1979-80
1978-79
1977-78
1976-77
1975-76
1974-75
1973-74
1972-73
1971-72
1970-71
90
80
70
60
50
40
30
20
10

SMALL BUSINESS LOAND AND GUARANTEES FUND

STATEMENT OF REVENUES AND DISBURSEMENTS

for the fiscal period

April 1, 1982 to March 31, 1983

REVENUES

Payments on Loans	$ 1,602,694.33
	$ 1,602,694.33

DISBURSEMENTS

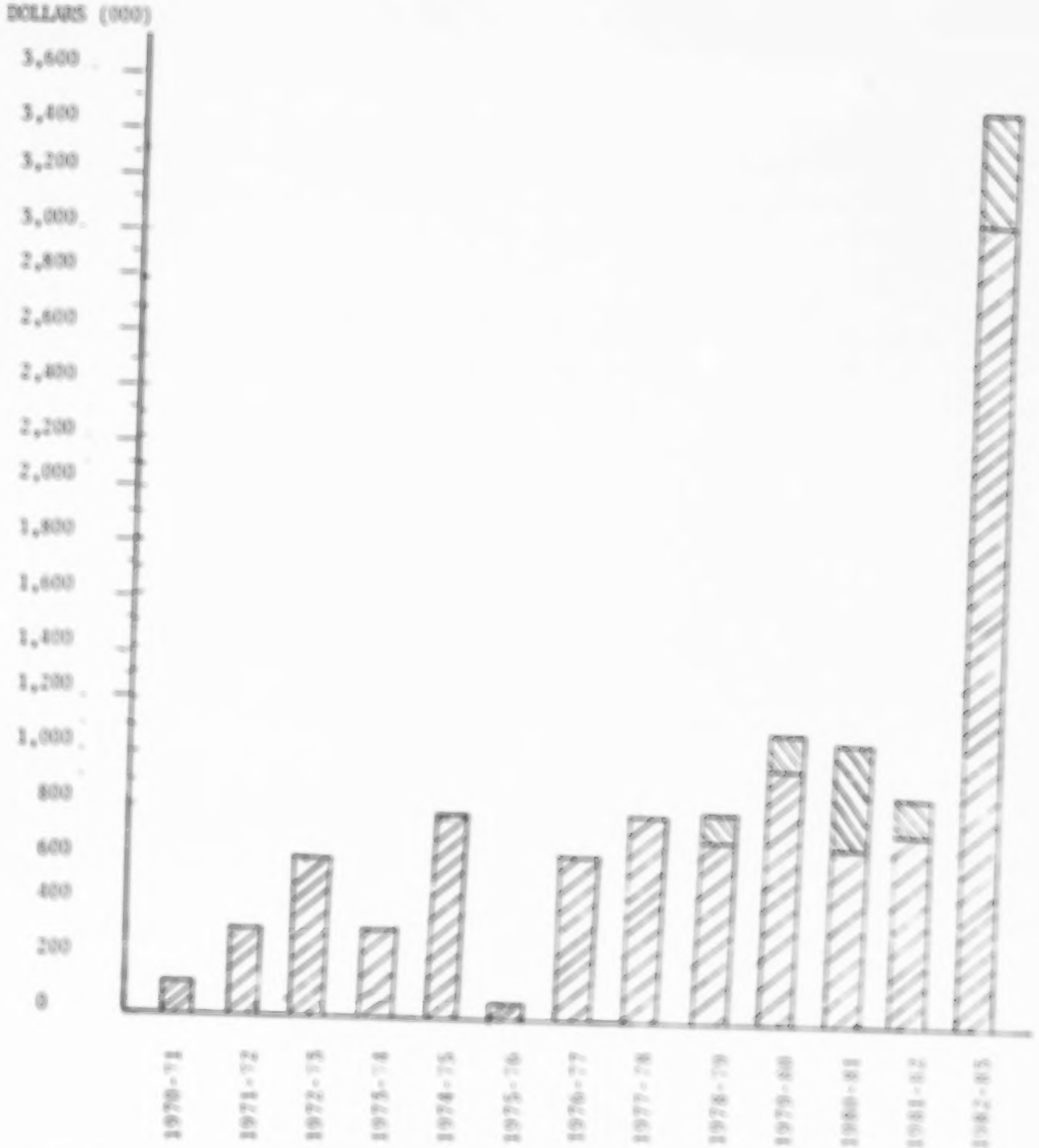
Principal portion to revolving fund	$ 1,118,064.30
Interest to General Revenues	484,630.03
	$ 1,602,694.33

LEGEND LOANS
GUARANTEES

SMALL BUSINESS LOANS AND GUARANTEES FUND

ANNUAL VALUE OF LOANS AND GUARANTEES ISSUED

1970 - 1983



SMALL BUSINESS LOANS AND GUARANTEES FUND

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1983

ASSETS

Cash	$ 1,637,897.00
Loans Receivable	5,362,103.00
	$ 7,000,000.00

LIABILITIES

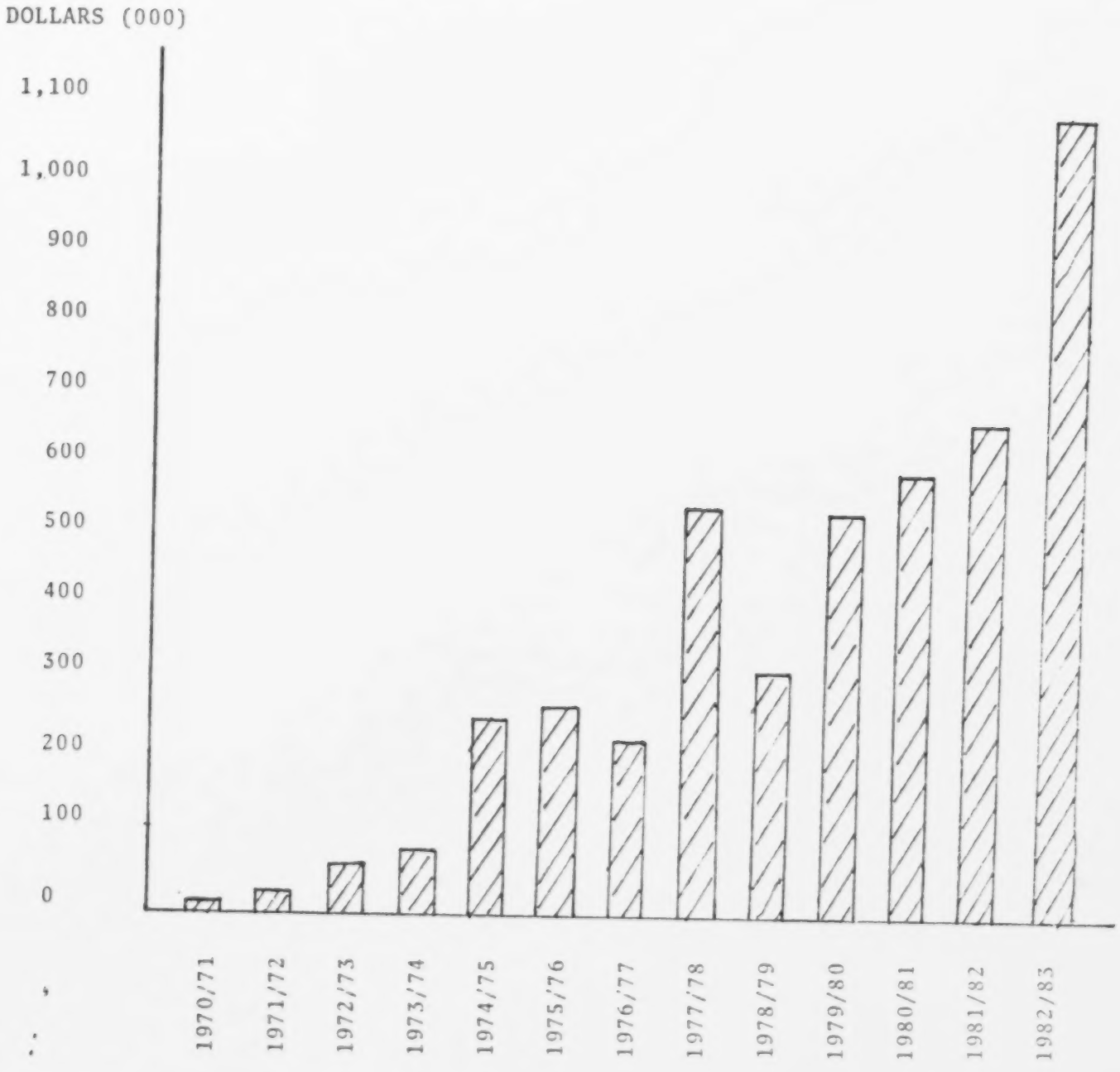
Small Business Loans and Guarantees Revolving Fund	$ 7,000,000.00

N.B. Loans Guarantees as a commitment against cash amounted to $555,300.00 at 31 March 1983.

SMALL BUSINESS LOANS AND GUARANTEES FUND

ANNUAL VALUE OF PRINCIAPL REPAID

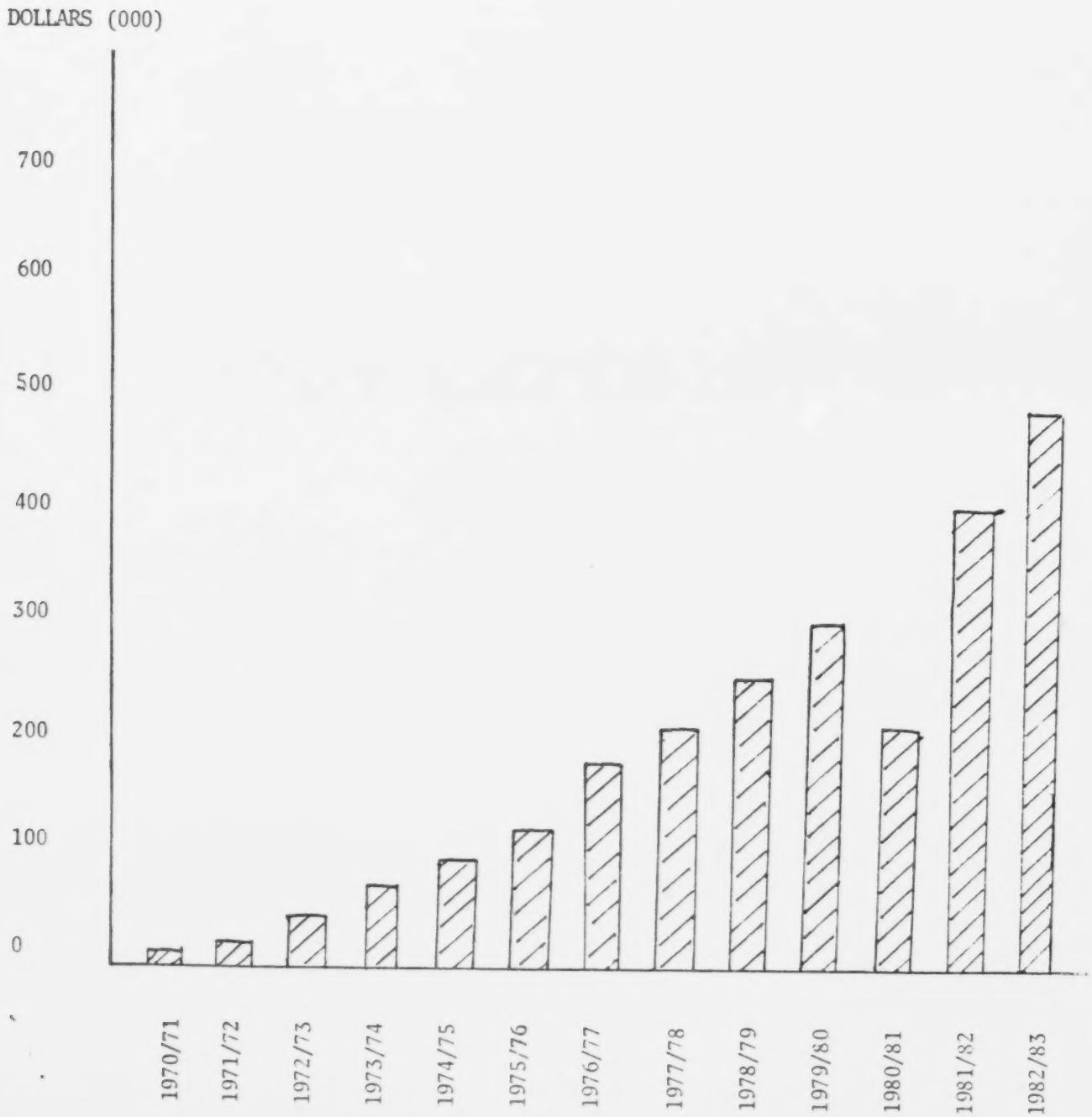
1970 - 1983



SMALL BUSINESS LOANS AND GUARANTEES FUND

ANNUAL VALUE OF INTEREST REVENUE

1970 - 1983



SMALL BUSINESS LOANS AND GUARANTEES FUND

DISTRIBUTION OF LOANS ISSUED

1982-83

REGIONS	NO. LOANS	AMOUNT	% LOANS
Baffin	1	$ 15,000	.4
Fort Smith	4	424,000	12.1
Cambridge Bay	5	284,692	8.1
Inuvik	18	1,851,750	52.8
Keewatin	1	38,200	1.0
Yellowknife	12	895,000	25.6
	41	$ 3,508,642	100

SIZE			
Up to $10,000	2	$ 19,692	0.6
$10,000 to $25,000	6	134,000	3.8
$25,000 to $50,000	9	371,950	10.6
$50,000 to $100,000	11	797,000	22.7
$Over 100,000	13	2,186,000	62.3
	41	$ 3,508,642	100

INDUSTRY GROUPING			
General Construction	7	$ 547,750	15.6
Other	1	250,000	7.1
Resource Harvesting	2	24,692	0.7
Retail	7	429,000	12.2
Service	10	634,000	18.1
Tourism & Food Service	4	626,000	17.8
Transport	6	768,000	21.9
Trucking	3	209,200	6.0
Manufacturing	1	20,000	0.6
	41	$ 3,508,642	100

SMALL BUSINESS LOANS AND GUARANTEES FUND

INDUSTRY GROUPING OF LOANS ISSUED

IN 1982 - 1983

INDUSTRY GROUPING	NO. LOANS	VALUE	% OF PORTFOLIO
Manufacturing	1	20,000	0.6
General Construction	7	547,750	15.6
Other	1	250,000	7.1
Service	10	634,000	18.1
Resource Harvesting	2	24,692	0.7
Retail	7	429,000	12.2
Tourism & Food Services	4	626,000	17.8
Transport	6	768,000	21.9
Trucking	3	209,200	6.0
	41	$3,508,642	100

SMALL BUSINESS LOANS AND GUARANTEES FUND

REGIONAL DISTRIBUTION OF LOANS

as at March 31, 1983

REGIONAL	NO. LOANS	VALUE	% OF PORTFOLIO
Baffin Region	7	91,756	1.7
Fort Smith Region	80	2,425,355	45.2
Cambridge Bay Region	11	354,397	6.6
Inuvik Region	40	2,418,638	45.1
Keewatin Region	3	71,956	1.4
	141	$5,362,102	100.00

SIZE			
Up to $10,00	40	146,673	2.7
$10,000 to $25,000	38	682,190	12.7
$25,000 to $50,000	28	1,027,697	19.0
$50,000 to $100,000	27	2,016,457	37.6
Over $100,000	8	1,489,085	28.0
	141	5,362,102	100.00

SMALL BUSINESS LOANS AND GUARANTEES FUND

LOAN FUND STATISTICAL REVEIW

FROM INCEPTION OF PROGRAM

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
Applications Received	18	33	51	43	79	40
Loans Approved	7	14	24	16	37	15
Value of Loans Issued	$115,500	$306,058	$595,380	$291,400	$748,600	$ 33,500
Value of Guarantees Issued						
Principal Repaid	$ 2,095	$ 19,202	$ 53,218	$ 93,846	$233,747	$ 287,255
No. Loans Repaid	-	-	1	2	8	6
Foreclosures or Write Offs	-	-	1	-	-	3
Principal Outstanding	$113,405	$400,261	$942,423	$1,139,977	$1,690,830	$1,737,074
Interest Received	$ 415	$ 17,862	$ 34,042	$ 72,607	$ 92,538	$ 135,279

SMALL BUSINESS LOANS AND GUARANTEES FUND

LOAN FUND STATISTICAL REVIEW

FROM INCEPTION OF PROGRAM

	1976-77	1977-78	1978-79	1979-1980	1980-81	1981-82	1982-83
Applications Received	41	42	48	33	35	51	92
Loans Approved	17	19	18	18	8	41	69
Value of Loans Issued	$627,345	$770,399	$683,709	$942,029	$587,400	$718,100	$3,508,000
Value of Guarantees Issued			100,000	161,400	471,200	157,000	265,000
Principal Repaid	222,254	569,799	341,229	560,589	611,585	747,260	1,118,064
No. Loans Repaid	6	15	9	15	8	4	15
Foreclosures or Write Offs	6	8	10	6	-0-	2	-
Principal Outstanding	$2,142,165	$2,342,765	$4,685,245	$2,966,609	$2,942,424	$3,321,543	$5,362,102
Interest Received	180,876	224,286	237,671	295,573	207,555	391,922	484,630